Government of Canada / Gouvernement du Canada

Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

October 2015: budgetary deficit of $0.9 billion

There was a budgetary deficit of $0.9 billion in October 2015, compared to a deficit of $3.2 billion in October 2014. Revenues increased by $2.2 billion, or 11.1 per cent, reflecting higher personal income tax and Goods and Services Tax (GST) revenues. Program expenses increased by $0.1 billion, or 0.4 per cent, as an increase in major transfers to persons was largely offset by decreases in major transfers to other levels of government and direct program expenses. Public debt charges decreased by $0.1 billion, or 6.4 per cent.

April to October 2015: budgetary surplus of $0.6 billion

For the April to October 2015 period of the 2015–16 fiscal year, the Government posted a budgetary surplus of $0.6 billion, compared to a deficit of $4.0 billion reported in the same period of 2014–15. Revenues were up $13.1 billion, or 8.7 per cent, reflecting increases in all revenue streams. Program expenses were up $9.1 billion, or 6.6 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down $0.6 billion, or 3.6 per cent.

October 2015

There was a budgetary deficit of $0.9 billion in October 2015, compared to a deficit of $3.2 billion in October 2014.

Revenues in October 2015 totalled $22.0 billion, up $2.2 billion, or 11.1 per cent, from October 2014.

- Personal income tax revenues were up $1.6 billion, or 16.5 per cent, as 2014–15 results included a $1.6-billion downward adjustment to reflect year-to-date costs of the Family Tax Cut and the doubling of the Children's Fitness Tax Credit.
- Corporate income tax revenues were up $0.1 billion, or 4.4 per cent.
- Non-resident income tax revenues were down $0.2 billion, or 37.6 per cent.
- Excise taxes and duties were up $0.7 billion, or 19.5 per cent. GST revenues increased by $0.6 billion, energy taxes by $3 million, customs import duties by $0.1 billion, and other excise taxes and duties by $43 million.
- Employment Insurance (EI) premium revenues were up $34 million, or 2.9 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were up $15 million, or 0.7 per cent.

Program expenses in October 2015 were $20.9 billion, up $0.1 billion, or 0.4 per cent, from October 2014.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $0.7 billion, or 11.0 per cent. Elderly benefits increased by $0.1 billion, or 3.8 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully

indexed. EI benefit payments increased by $0.1 billion, or 6.7 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit (UCCB), increased by $0.4 billion, or 40.8 per cent, due mainly to the enhancement and expansion of the UCCB effective January 2015.

- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government decreased by $0.1 billion, or 1.7 per cent, as legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories was more than offset by a decrease in transfers to Canada's cities and communities due to year-over-year timing differences and an increase in recoveries under the Quebec Abatement.
- Direct program expenses include transfer payments to individuals and other organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were down $0.5 billion, or 5.2 per cent. Within direct program expenses:
  - Transfer payments decreased by $0.5 billion, or 15.2 per cent.
  - Other direct program expenses decreased by $31 million, or 0.5 per cent.

Public debt charges decreased by $0.1 billion, or 6.4 per cent, reflecting a lower average effective interest rate on the stock of interest-bearing debt.

April to October 2015

For the April to October 2015 period of the 2015–16 fiscal year, there was a budgetary surplus of $0.6 billion, compared to a deficit of $4.0 billion reported during the same period of 2014–15.

Revenues increased by $13.1 billion, or 8.7 per cent, to $163.3 billion.

- Personal income tax revenues were up $3.8 billion, or 5.1 per cent.
- Corporate income tax revenues were up $3.4 billion, or 18.9 per cent, largely reflecting assessments and reassessments for prior tax years.
- Non-resident income tax revenues were up $0.3 billion, or 8.1 per cent.
- Excise taxes and duties were up $2.8 billion, or 10.1 per cent. GST revenues were up $2.1 billion or 11.4 per cent. Customs import duties were up $0.5 billion, and energy taxes and other excise taxes and duties were each up $0.1 billion.
- EI premium revenues were up $0.5 billion, or 3.6 per cent, reflecting growth in earnings.
- Other revenues were up $2.4 billion, or 15.6 per cent, primarily reflecting the gain realized on the sale of the Government's remaining holdings of General Motors common shares in April 2015.

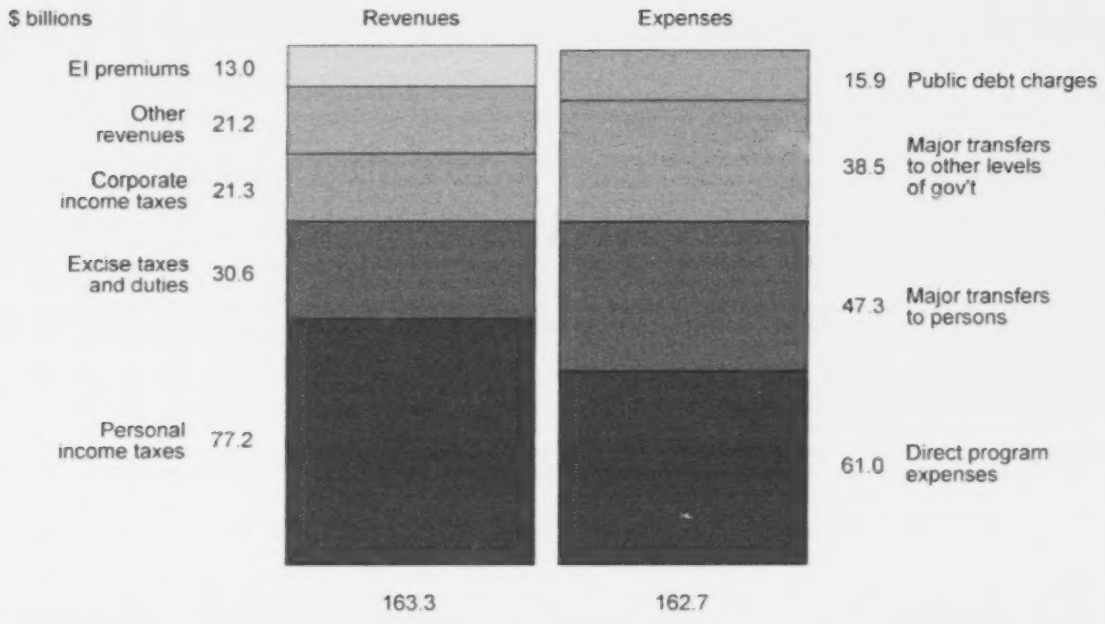
For the April to October 2015 period, program expenses were $146.8 billion, up $9.1 billion, or 6.6 per cent, from the same period the previous year.

- Major transfers to persons were up $4.7 billion, or 10.9 per cent. Elderly benefits increased by $1.1 billion, or 4.2 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.7 billion, or 6.7 per cent. Children's benefits were up $2.9 billion, or 38.8 per cent, largely reflecting increased benefits related to the enhancement and expansion of the UCCB.

- Major transfers to other levels of government were up $1.3 billion, or 3.6 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were up $3.1 billion, or 5.3 per cent. Within direct program expenses:
  - Transfer payments increased by $0.2 billion, or 1.1 per cent.
  - Other direct program expenses increased by $2.9 billion, or 7.1 per cent, reflecting in large part an increase in pension and other employee and veteran future benefit expenses.

Public debt charges decreased by $0.6 billion, or 3.6 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

Revenues and expenses (April to October 2015)



Note: Totals may not add due to rounding.

Financial requirement of $15.2 billion for April to October 2015

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $0.6 billion and a requirement of $15.8 billion from non-budgetary transactions, there was a financial requirement of $15.2 billion for the April to October 2015 period, compared to a financial requirement of $0.5 billion for the same period the previous year.

Net financing activities up $27.8 billion

The Government financed this financial requirement of $15.2 billion and increased cash balances by $12.6 billion by increasing unmatured debt by $27.8 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of October 2015 stood at $40.6 billion, up $8.3 billion from their level at the end of October 2014.

Table 1
Summary statement of transactions
$ millions

	October		April to October	
	2014	2015	2014–15	2015–16
Budgetary transactions				
Revenues	19,792	21,993	150,266	163,329
Expenses				
Program expenses	-20,804	-20,879	-137,688	-146,761
Public debt charges	-2,195	-2,055	-16,529	-15,934
Budgetary balance (deficit/surplus)	-3,207	-941	-3,951	634
Non-budgetary transactions	4,715	1,031	3,458	-15,817
Financial source/requirement	1,508	90	-493	-15,183
Net change in financing activities	735	2,087	6,674	27,828
Net change in cash balances	2,243	2,177	6,181	12,645
Cash balance at end of period			32,255	40,595

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Table 2
Revenues

	October			April to October		
	2014 ($ millions)	2015 ($ millions)	Change (%)	2014–15 ($ millions)	2015–16 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	9,431	10,983	16.5	73,475	77,233	5.1
Corporate income tax	2,817	2,941	4.4	17,956	21,348	18.9
Non-resident income tax	564	352	-37.6	3,180	3,437	8.1
Total income tax	12,812	14,276	11.4	94,611	102,018	7.8
Excise taxes and duties						
Goods and Services Tax	2,191	2,763	26.1	18,323	20,403	11.4
Energy taxes	485	488	0.6	3,205	3,334	4.0
Customs import duties	394	464	17.8	2,723	3,190	17.2
Other excise taxes and duties	467	510	9.2	3,515	3,640	3.6
Total excise taxes and duties	3,537	4,225	19.5	27,766	30,567	10.1
Total tax revenues	16,349	18,501	13.2	122,377	132,585	8.3
Employment Insurance premiums	1,180	1,214	2.9	12,523	12,977	3.6
Other revenues	2,263	2,278	0.7	15,366	17,767	15.6
Total revenues	19,792	21,993	11.1	150,266	163,329	8.7

Note: Totals may not add due to rounding.

Table 3
Expenses

	October			April to October		
	2014 ($ millions)	2015 ($ millions)	Change (%)	2014–15 ($ millions)	2015–16 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,676	3,817	3.8	25,177	26,235	4.2
Employment Insurance benefits	1,181	1,260	6.7	9,965	10,636	6.7
Children's benefits	1,061	1,494	40.8	7,533	10,457	38.8
Total	5,918	6,571	11.0	42,675	47,328	10.9
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,676	2,834	5.9	18,733	19,847	5.9
Canada Social Transfer	1,048	1,080	3.1	7,339	7,560	3.0
Total	3,724	3,914	5.1	26,072	27,407	5.1
Fiscal arrangements and other transfers[1]	1,660	1,689	1.7	12,112	12,485	3.1
Canada's cities and communities	602	372	-38.2	1,589	1,351	-15.0
Quebec Abatement	-376	-462	22.9	-2,631	-2,770	5.3
Total	5,610	5,513	-1.7	37,142	38,473	3.6
Direct program expenses						
Transfer payments						
Aboriginal Affairs and Northern Development	771	670	-13.1	3,604	3,775	4.7
Agriculture and Agri-Food	43	62	44.2	345	605	75.4

Employment and Social Development	453	418	-7.7	2,951	3,033	2.8
Foreign Affairs, Trade and Development	240	190	-20.8	1,175	1,452	23.6
Health	189	179	-5.3	1,782	1,773	-0.5
Industry	261	222	-14.9	1,325	1,383	4.4
Other[1]	1,004	770	-23.3	5,950	5,291	-11.1
Total	2,961	2,511	-15.2	17,132	17,312	1.1
Other direct program expenses						
Crown corporations	724	659	-9.0	4,110	4,732	15.1
National Defence	1,790	1,953	9.1	11,544	12,728	10.3
All other departments and agencies	3,801	3,672	-3.4	25,085	26,188	4.4
Total other direct program expenses	6,315	6,284	-0.5	40,739	43,648	7.1
Total direct program expenses	9,276	8,795	-5.2	57,871	60,960	5.3
Total program expenses	20,804	20,879	0.4	137,688	146,761	6.6
Public debt charges	2,195	2,055	-6.4	16,529	15,934	-3.6
Total expenses	22,999	22,934	-0.3	154,217	162,695	5.5

Note: Totals may not add due to rounding.

[1] Comparative figures have been reclassified to conform to the presentation in the 2014-15 Consolidated Financial Statements of the Government of Canada.

Table 4
The budgetary balance and financial source/requirement
$ millions

	October		April to October	
	2014	2015	2014–15	2015–16
Budgetary balance (deficit/surplus)	-3,207	-941	-3,951	634
Non-budgetary transactions				
Capital investment activities	-400	-507	-1,999	-2,310
Other investing activities	996	-748	3,898	-3,789
Pension and other accounts	213	307	901	2,880
Other activities				
Accounts payable, receivables, accruals and allowances	4,139	1,079	-3,068	-9,739
Foreign exchange activities	-560	567	1,381	-5,416
Amortization of tangible capital assets	327	333	2,345	2,557
Total other activities	3,906	1,979	658	-12,598
Total non-budgetary transactions	4,715	1,031	3,458	-15,817
Financial source/requirement	1,508	90	-493	-15,183

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	October		April to October	
	2014	2015	2014–15	2015–16
Financial source/requirement	1,508	90	-493	-15,183
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	9,398	10,371	18,033	15,509
Treasury bills	-8,700	-6,800	-8,500	6,800
Retail debt	-53	-19	-218	-127
Other	0	0	0	0
Total	645	3,552	9,315	22,182
Foreign currency borrowings	-200	166	-2,211	3,103
Total	445	3,718	7,104	25,285
Cross-currency swap revaluation	198	-1,534	-189	2,301
Unamortized discounts and premiums on market debt	107	-75	72	370
Obligations related to capital leases and other unmatured debt	-15	-22	-313	-128
Net change in financing activities	735	2,087	6,674	27,828
Change in cash balance	2,243	2,177	6,181	12,645

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities
$ millions

	March 31, 2015	October 31, 2015	Change
Liabilities			
Accounts payable and accrued liabilities	123,631	111,615	-12,016
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	487,881	503,390	15,509
Treasury bills	135,692	142,492	6,800
Retail debt	5,660	5,533	-127
Subtotal	629,233	651,415	22,182
Payable in foreign currencies	20,267	23,370	3,103
Cross-currency swap revaluation	6,669	8,970	2,301
Unamortized discounts and premiums on market debt	4,296	4,666	370
Obligations related to capital leases and other unmatured debt	4,715	4,587	-128
Total unmatured debt	665,180	693,008	27,828
Pension and other liabilities			
Public sector pensions	152,664	152,268	-396
Other employee and veteran future benefits	76,140	79,469	3,329
Other liabilities	6,002	5,949	-53
Total pension and other liabilities	234,806	237,686	2,880

Total interest-bearing debt	899,986	930,694	30,708
Total liabilities	1,023,617	1,042,309	18,692
Financial assets			
Cash and accounts receivable	136,696	147,079	10,383
Foreign exchange accounts	85,018	90,434	5,416
Loans, investments, and advances (net of allowances)[1]	113,681	115,882	2,201
Public sector pension assets	1,263	1,263	0
Total financial assets	336,658	354,658	18,000
Net debt	686,959	687,651	692
Non-financial assets	74,629	74,382	-247
Federal debt (accumulated deficit)	612,330	613,269	939

Note: Totals may not add due to rounding.

[1] October 31, 2015 amount includes $1.6 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April to October 2015 period.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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